HOUSING MARKET INFORMATION

HOUSING NOW
Canada

CANADA MORTGAGE AND HOUSING CORPORATION

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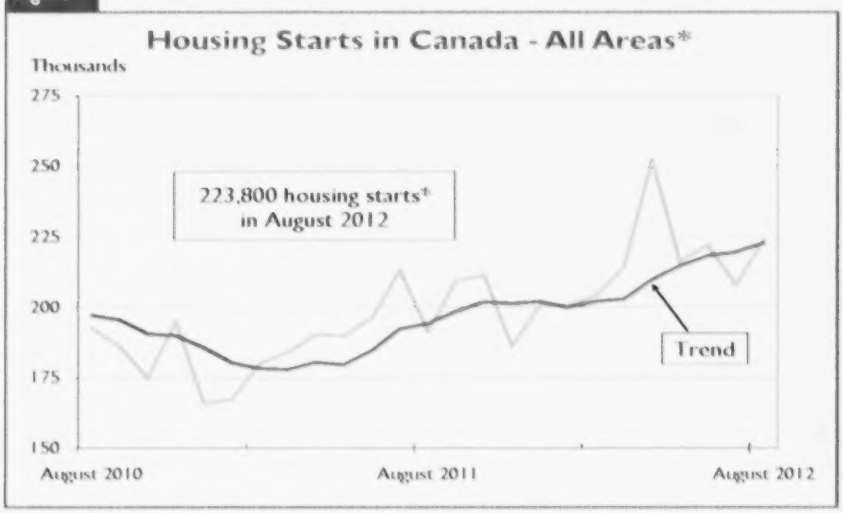
Canadian Market Overview

New Home Market

Housing starts increased in August

The number of housing starts was trending at 222,700 units in August. The trend is a moving average of the monthly seasonally adjusted annual rate (SAAR)[1] of housing starts. The stand-alone monthly SAAR was 223,800 units in August, up from 208,000 in July. This increase is primarily a reflection of the high level of pre-sales in some of these large multi-unit projects in late 2010 and early 2011, which is in line with job gains at that time.

Figure 1



Source: CMHC

*Seasonally adjusted at annual rates

[1]All starts figures in this report, other than actual starts, are seasonally adjusted annual rates (SAAR) — that is, monthly figures are adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels. By removing seasonal ups and downs, seasonal adjustment makes it possible to highlight the fundamental trends of a series. Reporting monthly figures at annual rates indicates the annual level of starts that would be obtained if the monthly pace was maintained for 12 months. This facilitates comparison of the current pace of activity to annual forecasts as well as to historical annual levels.

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Urban single and multiple starts increased in August

The seasonally adjusted annual rate of total urban[2] starts increased 9.6 % to 204,800 units in August from 186,800 units in July. Urban multiple starts posted the strongest gains in August, increasing by 14.6 % to 140,500 units. The increase in August was the results of a few, large, multi-unit projects in the Greater Toronto area. Single starts remained relatively stable while posting a 0.2 % increase to 64,300 units in August.

Urban starts increased in all regions, except Quebec

In August, the seasonally adjusted annual rate of urban starts increased in the Atlantic Region (47.5 %), Ontario (18.8 %) and British Columbia (18.2 %). On the other hand, urban starts remained relatively unchanged in the Prairies (1.3 %) and decreased in Québec (-9.8 %) in August.

Non-urban areas of Canada saw a decrease of 10.4 % to an estimated seasonally adjusted annual rate of rural starts of 19,000 units in August from 21,200 units in July.

Inventories of new and unoccupied units[3]

The stock of new and unoccupied housing units has been stable over the past year, indicating continued strength in demand for newly completed homes.

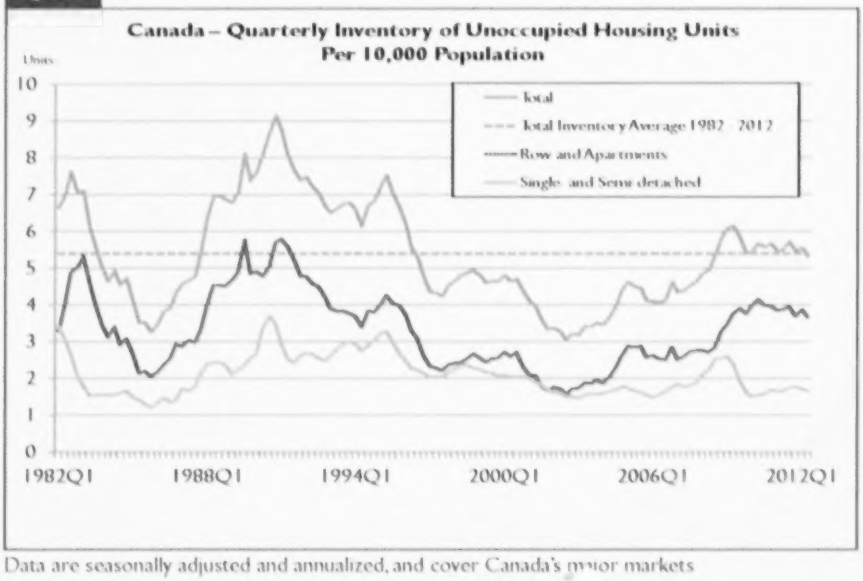
The inventories of new and unoccupied single and semi-detached homes decreased in August to 5,783, from 5,865 in July and remained within the 2011 narrow range of 5,500 and 6,200 units. On the other hand, the inventories of new and unoccupied row and apartment units registered an increase, reaching 12,642 units in August from 12,473 in July, also within the 2011 range of 12,600 to 14,200 units.

Similarly, the ratio of the stock of new and unoccupied units to population, a simple gauge of potential overbuilding, has stabilized in recent quarters at levels close to its historical average (1982-2012 average of 5.4).

New housing price index stable in July

The New Housing Price Index (NHPI) increased 2.3 % in July 2012 compared to July 2011. This is the same year-over-year increase that was recorded in June 2012.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS
Last data point: 2012Q2. Will be updated to 2012Q3 in the October 2012 Housing Now.

[2]Urban centres are defined as centres with a population of over 10,000. CMHC surveys urban centres 10,000-49,999 at the end of every quarter. Months which are not at the end of a quarter are thus estimates.

[3]The inventory of housing units is defined as the level of newly completed and unoccupied units. Units under construction are not taken into account in this inventory because some units under construction are pre-sold. The level of inventories discussed here is for urban centres with a population of over 50,000.

New home prices increased in 17 out of 21 centres on a year-over-year basis. The largest increases in the NHPI were in Regina at 4.7 %, followed by Toronto and Oshawa (4.6 %) and Winnipeg (4.4 %). Declines were registered in Victoria (-2.9 %), Vancouver (-0.8 %) and Moncton (-0.4 %).

Existing Home Market

MLS®[4] sales and new listings decreased in August

The seasonally adjusted annual rate of MLS® (Multiple Listing Service®) sales posted a decrease of 5.8 %, at 430,428 units in August from 456,756 units in July 2012.

The seasonally adjusted annual rate of MLS® new listings in August was 844,716, a decrease of 1.7 % from 859,476 in July.

Balanced market conditions continue in August

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio[5]. New listings are a gauge of the supply of existing homes, while MLS® sales are a proxy for demand.

The sales-to-new-listings ratio remained in balanced market condition in August as the decrease in MLS® sales outpaced the decline in new listings, bringing down the sales-to-new-listings ratio for Canada to 51.0 % from 53.1 % in July. Market conditions are further anchored in balanced market territory for the Canadian housing market.

Figure 3

Data are seasonally adjusted and annualized, and cover Canada's major markets
Sources: CMHC, Canadian Real Estate Association (CREA), MLS®
Last data point: 2012M8

MLS® price increased slightly in August

The national seasonally adjusted average MLS® price increased 1.1 % in August to $361,538 from $357,493 in July. Also in August, the unadjusted MLS® average price slightly increased 0.3 % to $350,192 from $349,150 a year ago.

Earlier this year the Canadian Real Estate Association (CREA) launched a house price index that uses statistical techniques to control for changes over time in the types and quality of homes that are sold. According to this new measure, house prices in the markets covered[6] increased 4.0 % between August 2011 and August 2012. Price increases were led by Calgary (6.5 %), followed by Greater Toronto (6.3 %), the Fraser Valley (2.5 %) and Greater Montreal (2.2 %). Greater Vancouver posted a decline of 0.5 %.

Generally, both price measures published by CREA have converged towards moderation

[4]Multiple Listing Service (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

[5]Taking the Canadian MLS® market as a whole, a sales-to-new listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new listings ratio is between these thresholds, the market is said to be balanced.

[6]The MLS® Home Price Index is based on single family, townhouse/row unit, and apartment unit sales activity in Greater Vancouver, the Fraser Valley, Calgary, Greater Toronto and Greater Montreal.

in recent months, but there are still differences in the growth estimates. Over the past six months, the average existing home price posted month-over-month decreases four times, with decreases ranging from -0.5 to -1.5 %. CREA's new measure decreased in the last two months.

On balance, these measures are signalling a steady moderation in home price growth.

Teranet-National Bank House Price Index increased in July

By comparison, the Teranet-National Bank House Price Index, which also uses statistical techniques to control for changes in the types and quality of homes sold over time, has posted the smallest increase for a month of August in 12 years. Last month, the index recorded a monthly increase of 0.2 %, a decline from the rate of 0.7 % recorded in July. In three of the 11 metropolitan markets surveyed, prices were down from the month before: Vancouver (-1.2 %), Victoria (-0.7 %) and Quebec City (-0.6 %).

Economic conditions

According to Statistics Canada, employment increased 0.2 % in August following a decline in July. In August, a 1.4 % increase in part-time employment outweighed a slight 0.1 % loss in full-time employment. Overall, given an increase in the participation rate, Statistics Canada reported that the unemployment rate remained steady at 7.3 % in August.

Compared with 12 months earlier, employment was up 1.0 % in August (an increase of 177,000 jobs). Most of the gains posted on a year-over-year basis were concentrated in full-time employment, which recorded an increase of 1.2 % (172,200 jobs), while part-time employment increased marginally over the same period (4,300 jobs).

Statistics Canada's Consumer Price Index rose 1.2 % in the 12 months to August, following a 1.3 % gain in July. Provincially, highest CPI increases were observed in Québec (2.0 %) and Manitoba (1.9 %) while Ontario, Alberta, British Columbia and New Brunswick posted the lowest gains (1.0 %). Core inflation, which excludes the eight most volatile items and the effect of changes in indirect taxes, rose 1.6 % in the 12 months to August, following a 1.7 % gain in July.

On September 5th, the Bank of Canada announced that it would maintain the Target for the Overnight Rate unchanged at 1.0 %. In its latest July 2012 Monetary Policy Report, the Bank of Canada stated that "[...] while global headwinds continue to restrain economic activity, underlying momentum remains at a pace roughly in line with the economy's production potential. Economic growth is expected to pick up through 2013, with consumption and business investment continuing to be its principal drivers, reflecting very stimulative financial conditions."

The next interest rate announcement of the Governing Council of the Bank of Canada is scheduled to take place October 24th, 2012. ■

This Month's Housing Data (SAAR)

	2011	Q4:11	Q1:12	Q2:12	M06:12	M07:12	M08:12
Housing starts, units, 000s							
Canada. Total. All areas	**194.0**	**199.7**	**205.5**	**229.3**	**221.9**	**208.0**	**223.8**
Per cent change from previous period	2.1	-2.7	2.9	11.6	2.6	-6.3	7.6
Canada. Total. Rural areas	**19.6**	**20.6**	**19.0**	**22.6**	**22.0**	**21.2**	**19.0**
Per cent change from previous period	-17.5	-9.6	-7.8	18.9	0.5	-3.6	-10.4
Canada. Total. Urban areas	**174.4**	**179.1**	**186.5**	**206.7**	**199.9**	**186.8**	**204.8**
Per cent change from previous period	4.9	-1.9	4.1	10.8	2.9	-6.6	9.6
Canada. Single. Urban areas	**67.1**	**67.5**	**67.4**	**67.9**	**67.1**	**64.2**	**64.3**
Per cent change from previous period	-9.6	-3.0	-0.1	0.7	-0.3	-4.3	0.2
Canada. Multiple. Urban areas	**107.3**	**111.6**	**119.1**	**138.8**	**132.8**	**122.6**	**140.5**
Per cent change from previous period	16.7	-1.2	6.7	16.5	4.6	-7.7	14.6
Newfoundland. Total. All areas	**3.5**	**3.2**	**3.6**	**4.0**	**3.8**	**4.3**	**3.6**
Per cent change from previous period	-3.3	-11.1	12.5	11.1	2.7	13.2	-16.3
Prince Edward Island. Total. All areas	**0.9**	**1.2**	**0.5**	**1.1**	**1.3**	**1.2**	**1.1**
Per cent change from previous period	24.3	-7.7	-58.3	120.0	85.7	-7.7	-8.3
Nova Scotia. Total. All areas	**4.6**	**4.9**	**3.9**	**3.9**	**4.1**	**2.8**	**6.5**
Per cent change from previous period	7.8	-10.9	-20.4	0.0	-2.4	-31.7	132.1
New Brunswick. Total. All areas	**3.5**	**3.8**	**2.5**	**3.8**	**4.6**	**3.7**	**3.7**
Per cent change from previous period	-15.8	-7.3	-34.2	52.0	9.5	-19.6	0.0
Quebec. Total. All areas	**48.4**	**48.1**	**41.3**	**52.5**	**49.1**	**50.3**	**44.7**
Per cent change from previous period	-5.8	-2.6	-14.1	27.1	14.5	2.4	-11.1
Ontario. Total. All areas	**67.8**	**66.8**	**79.0**	**81.8**	**72.7**	**74.3**	**88.0**
Per cent change from previous period	12.2	-6.2	18.3	3.5	-8.3	2.2	18.4
Manitoba. Total. All areas	**6.1**	**7.3**	**6.8**	**7.8**	**5.1**	**6.5**	**9.0**
Per cent change from previous period	3.3	12.3	-6.8	14.7	-58.9	27.5	38.5
Saskatchewan. Total. All areas	**7.0**	**7.4**	**8.9**	**9.6**	**11.0**	**7.5**	**8.9**
Per cent change from previous period	19.0	-8.6	20.3	7.9	57.1	-31.8	18.7
Alberta. Total. All areas	**25.7**	**30.4**	**31.2**	**35.5**	**33.8**	**31.4**	**27.7**
Per cent change from previous period	-5.1	10.9	2.6	13.8	0.6	-7.1	-11.8
British Columbia. Total. All areas	**26.4**	**26.6**	**27.8**	**29.3**	**36.4**	**26.0**	**30.6**
Per cent change from previous period	-0.3	-5.7	4.5	5.4	29.1	-28.6	17.7

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2011	Q4:11	Q1:12	Q2:12	M06:12	M07:12	M08:12
Housing starts, units, 000s							
Canada. Total. Urban areas	**174.4**	**179.1**	**186.5**	**206.7**	**199.9**	**186.8**	**204.8**
Newfoundland. Total. Urban areas	**2.3**	**2.0**	**2.5**	**2.6**	**2.2**	**2.6**	**2.2**
Prince Edward Island. Total. Urban areas	**0.7**	**0.8**	**0.3**	**0.8**	**1.0**	**1.0**	**0.8**
Nova Scotia. Total. Urban areas	**4.1**	**4.4**	**3.2**	**3.2**	**3.4**	**2.1**	**6.0**
New Brunswick. Total. Urban areas	**2.5**	**2.5**	**2.0**	**2.8**	**3.2**	**2.3**	**2.8**
Quebec. Total. Urban areas	**41.8**	**41.0**	**35.3**	**45.2**	**43.0**	**44.0**	**39.7**
Ontario. Total. Urban areas	**65.2**	**64.1**	**77.1**	**79.7**	**70.8**	**72.2**	**85.8**
Manitoba. Total. Urban areas	**4.2**	**5.2**	**4.3**	**5.4**	**3.1**	**3.6**	**6.9**
Saskatchewan. Total. Urban areas	**5.7**	**6.4**	**7.0**	**7.1**	**7.9**	**5.8**	**6.6**
Alberta. Total. Urban areas	**23.6**	**28.3**	**28.9**	**32.5**	**31.1**	**29.0**	**25.4**
British Columbia. Total. Urban areas	**24.3**	**24.4**	**25.9**	**27.4**	**34.2**	**24.2**	**28.6**

SOURCE: CMHC, Starts & Completions Survey. All quarterly and monthly data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Major Housing Indicators

	2011	Q4:11	Q1:12	Q2:12	M06:12	M07:12	M08:12
New Housing							
New & unoccupied singles & semis, units 000s	**6.2**	**6.2**	**6.1**	**5.7**	**5.7**	**5.9**	**5.8**
Per cent change from same period previous year	6.0	6.0	4.2	2.9	2.9	4.8	3.7
New & unoccupied row & apartments, units 000s	**12.9**	**12.9**	**13.1**	**12.7**	**12.7**	**12.5**	**12.6**
Per cent change from same period previous year	-6.0	-6.0	1.6	-4.1	-4.1	-8.2	-7.7
New House Price Index, 2007=100	**105.5**	**106.4**	**107.0**	**107.8**	**108.0**	**108.1**	**n.a.**
Per cent change from same period previous year	2.2	2.5	2.4	2.4	2.3	2.3	n.a.
Existing Housing							
MLS® resales*, units 000s	**458.4**	**471.4**	**473.7**	**472.6**	**461.1**	**456.8**	**430.4**
Per cent change from same period previous year	2.6	7.3	3.3	6.3	2.0	0.9	-4.4
MLS® average resale price, 000s**	**363.1**	**360.6**	**368.4**	**364.3**	**361.0**	**357.5**	**361.5**
Per cent change from same period previous year	7.1	3.9	1.0	-0.4	-0.8	-1.2	0.0
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	**3.52**	**3.50**	**3.30**	**3.20**	**3.20**	**3.10**	**3.10**
Posted 5-Year Mortgage Rate, % (period average)	**5.37**	**5.29**	**5.26**	**5.34**	**5.24**	**5.24**	**5.24**

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association

n.a. Figures not available

* Annual data is actual. Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Quarterly and monthly data is seasonally adjusted.

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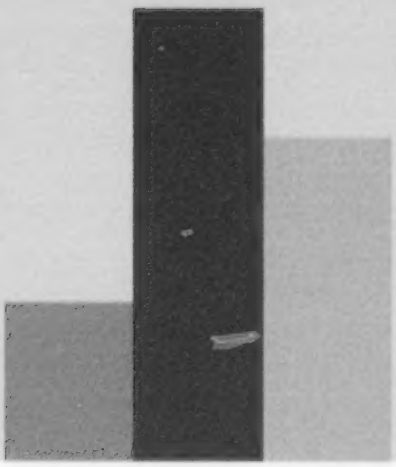

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